
LOAN NUMBER 850 MOR

Guarantee Agreement

(Casablanca-Rabat Water Supply Project)

BETWEEN

KINGDOM OF MOROCCO

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED JULY 19, 1972

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DATED JULY 19, 1972

GUARANTEE AGREEMENT

AGREEMENT, dated July 19, 1972, between the KINGDOM OF MOROCCO (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith between the Bank and *Office National de l'Eau Potable* (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to forty-eight million dollars (\$48,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969, with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Section 1.01 of the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee; Bonds; Provision of Funds

Section 2.01. Without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally

guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan and the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. The Guarantor shall endorse, in accordance with the provisions of the General Conditions, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

Section 2.03. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project and other works requested or authorized by the Guarantor, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

Section 2.04. The Guarantor shall make available to the Borrower as a capital contribution, over the period between 1972 and 1977 and in accordance with a schedule to be agreed upon by the Guarantor, the Bank and the Borrower, an amount of DH320,000,000 to cover the Borrower's capital investment needs.

ARTICLE III

Other Covenants

Section 3.01. (a) It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end the Guarantor (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Guarantor to the Bank, and (ii) undertakes that, except as the Bank shall otherwise agree, if any such lien shall be created, it will *ipso facto* equally and ratably, and at no cost to the Bank or the holders of the Bonds, secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds and in the creation of any such

lien express provision will be made to that effect. The Guarantor shall promptly inform the Bank of the creation of any such lien.

(c) The foregoing representation and undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

As used in this Section, the term "governmental assets" means assets of the Guarantor, of any of its political subdivisions, of any agency of the Guarantor or of any such political subdivision, and assets of the *Banque du Maroc* or any institution performing the functions of a central bank for the Guarantor.

Section 3.02. The Guarantor shall, by such dates as shall be agreed between the Guarantor and the Bank, cause studies of retail water tariffs in the Project Area and in the other territories of the Guarantor to be completed by consultants acceptable to the Guarantor and the Bank upon terms and conditions satisfactory to the Guarantor and the Bank, and shall consult with the Bank on the measures necessary to implement the findings of the said studies.

Section 3.03. Without limitation upon the Guarantor's obligations under Sections 2.03 and 2.04 of this Agreement, and except as the Guarantor and the Bank shall otherwise agree, in order to offset the Borrower's losses resulting from water distribution activities outside the Project Area, the Guarantor shall award the Borrower an annual grant of DH5,000,000 during the period commencing January 1, 1972 and ending December 31, 1981.

Section 3.04. The Guarantor covenants that it will take, promptly as required, all measures necessary on its part to enable the Borrower to establish, maintain and collect charges at the levels specified in Section 5.05 of the Loan Agreement.

Section 3.05. The Guarantor covenants that (a) it shall, before December 31, 1973, or such other date as shall be agreed with the Bank, relieve the Borrower of all functions and assignments which are not related to the supply and distribution of water; and (b) it shall take all measures necessary to transfer to the Borrower certain existing and new water production facilities as shall be agreed between the Guarantor and the Bank.

Section 3.06. The Guarantor shall promptly take all necessary action to enable the Borrower to retain in full the water charges collected by the Borrower from distribution agencies and shall not require the Borrower to make any payments to the Water Equalization Fund.

Section 3.07. (a) The Guarantor shall pay and shall cause each of its departments, municipalities and agencies to pay, not later than December 31, 1974 or such other date as shall be agreed with the Bank, all arrears due to the Borrower.

(b) The Guarantor shall promptly take all measures necessary to ensure that its departments, municipalities and agencies shall promptly make payments due to water distribution agencies.

Section 3.08. Except as the Guarantor and the Bank shall otherwise agree, the Guarantor shall permit the Borrower to retain surplus revenues required to finance a reasonable part of the cost of any development program that may be undertaken by the Borrower, with the approval of the Guarantor, to satisfy future demand for potable water in areas supplied by the Borrower.

Section 3.09. Without limitation or restriction upon the provisions of Section 2.03 of this Agreement, the Guarantor specifically undertakes to make arrangements, or cause arrangements to be made, to provide the several distribution authorities which obtain water in bulk from the Borrower with such funds as may be necessary to improve their distribution facilities to a level consonant with the reasonable needs of the urban population served by such authorities.

Section 3.10. The Guarantor covenants that the Borrower shall be vested at all times with the sole responsibility for the operation, maintenance and control of the Bou Regreg Dam and its reservoirs.

ARTICLE IV

Consultation and Information

Section 4.01. The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Guarantor and the Bank shall from time to time, at the request of either party: (i) exchange views through their representatives with regard to the performance of their respective obligations under the Guarantee Agreement and other matters relating to the purposes of the Loan; and (ii) furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor, including its balance of payments, and the external debt of the Guarantor, of any of its political subdivisions and of any agency of the Guarantor or of any such political subdivision.

Section 4.02. (a) The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(b) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

ARTICLE V

Taxes and Restrictions

Section 5.01. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the foregoing shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.02. The Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 5.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls or moratoria of any nature imposed under the laws of the Guarantor or laws in effect in its territories.

ARTICLE VI

Representative of the Guarantor; Addresses

Section 6.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Guarantor:

Minister of Finance
Ministry of Finance
Rabat, Morocco

Cable address:

Ministry of Finance
Rabat, Morocco

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

KINGDOM OF MOROCCO

By /s/ Badreddine Senoussi

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Robert S. McNamara

President